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EGMA-24735

Chief, SR
ATTN:
Chief of Base, Munich

11 January 1957

INFO: COS, Germany

Operational/REDWOOD/LCINPROVE/ARRATH/UPSSING
POB
BOB

Otto KRUEGER from DDR visits AECAPLIN-1

REFERENCE: EGMA-23967, 9 November 1956

ACTION REQUIRED: POB: Please tickle UPSSING concerning the latter's top secret memorandum to the SG in which a thorough investigation of the brothers KRUEGER is suggested. See EGMA-23843, dated 1 November 1956, containing AECAPLIN-1 Contact Report No. 27 for comments on this memorandum.

1. Transmitted herewith as Attachment A is a segment of information obtained from AECAPLIN-1 during contact on 17 December 1956 concerning an unexpected, short visit with AECAPLIN-1 by Otto KRUEGER who allegedly was passing through Munich on a business trip from Gotha, East Zone of Germany. See the reference for events which preceded KRUEGER's visit.
2. Attachment B is a copy of a German-language letter which AECAPLIN-1 claims he sent via registered mail to Frau Else DEIBACH in West Berlin on 12 December 1956, that is, five days before KRUEGER visited AECAPLIN-1.
3. It might be pointed out that until KRUEGER's visit with AECAPLIN-1 on 17 December 1956, there is no information in WOB files to indicate that AECAPLIN-1 ever had personal contact with KRUEGER in the past. AECAPLIN-1's earlier reports (found in EGMA-25239) and his second account of this report (EGMA-25341) contain information which AECAPLIN-1 received from other sources and not directly from KRUEGER. AECAPLIN-1 mentioned that he did not recognize KRUEGER although he recalled having met KRUEGER during a social visit with the DEIBACHs. AECAPLIN-1 stated that KRUEGER's most prominent characteristic is his very short height.
4. It is felt that AECAPLIN-1's theory that KRUEGER's call was not strictly social is plausible, especially in light of the most obvious fact that KRUEGER roams freely between East and West Germany (undoubtedly with MfS and/or Soviet sanction) ostensibly to confer with BAUMBACH in Offenbach concerning the latter's interests in the DDR.

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Attachments
As Indicated - Herewith

Distribution

- 3 - SR w/Atts. A & B h/w
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Attachment A to EGMA-21735

SUBJECT: Contact with AECAPLIN-1 on 17 December 1956

1. On the morning of 17 December 1956, at 0916 hours, AECAPLIN-1 answered the ring of his doorbell at his apartment and when the unknown caller did not identify himself, AECAPLIN-1 asked him in German to identify himself. The visitor replied, "Herr AECAPLIN-1, do you not recall me?" After a few seconds, the caller identified himself as Otto KRUEGER.
2. After regaining his balance, AECAPLIN-1 invited KRUEGER in. KRUEGER stated that about 10 days ago he visited Frau Elise BAUBACH in West Berlin. When he mentioned to her that he may be visiting Munich in the near future, she allegedly asked him to drop in on AECAPLIN-1, merely to send her greetings and ask how he was getting along. He said that Frau BAUBACH also asked him to pass the word that she was still waiting for the personal belongings which she left in AECAPLIN-1's charge. She expected to rent an additional room into which she would place the belongings.
3. KRUEGER then apologized profusely for having arrived at such an early hour. He said that if he did not visit AECAPLIN-1 at this moment, undoubtedly he would not have had an opportunity to do so later because he had to return to Offenbach with his boss. AECAPLIN-1 then invited KRUEGER to the dining room where they had breakfast. AECAPLIN-1 apologized that he was not adequately prepared for KRUEGER's visit.
4. KRUEGER began the discussion, talking about his personal life. According to AECAPLIN-1, KRUEGER said approximately the following:

"I have not lived in Weimar for about one year. I am now employed as manager of a chemical factory in Gotha (about 17 kilometers from Weimar). The owner of this factory was my very good friend, Frau BAUBACH, who now lives in Offenbach where he operates a chemical concern. His factory in Gotha, which produces burlap sacks, soaps, etc., was nationalized by the DDR government about two years ago. There was nothing left for BAUBACH but to flee (return) to West Germany. Having escaped with a sizeable amount of cash, BAUBACH opened a chemical factory which manufactures an anti-rust preparation, BAUBACH's own invention, which also cleans off rust and prevents further rusting. His Offenbach factory today makes a substantial profit from sales to heavy industries and, recently, to military representatives. BAUBACH has contracts with the British, Canadian and American armies which use the product for weapons, vehicles, etc. Aside from this, BAUBACH exports his product direct to England, France, Belgium, Holland and other countries. BAUBACH is convinced that someday he will resume control of his factory and villa in Gotha.

Before he left for West Germany, he wanted a trusted friend to watch the factory in Gotha, to check that no one is taking away machinery, etc., and selected me as that trust person. I now work in the factory as a

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branch manager. My job often takes me to Offenbach where I give BAUMBACH reports concerning his factory, villa and assets in Gotha. As a token of his appreciation, BAUMBACH pays me a few Marks. Aside from this, I am also making attempts to have his anti-rust preparation imported to the East Zone of Germany. This likewise would give me some extra profits. It is for this reason that I am visiting with BAUMBACH now. BAUMBACH drove me to Munich in his auto and thus you find me here with you.

I also maintain contact with BAUMBACH so that in the event I no longer can remain in the East Zone I could make my way to West Germany and become employed with him. I have always intended to flee to the West. However, it would be difficult to get along without any money and so I decided to remain in the East for a time. I will remain in the East until it becomes difficult for me there. Then I will come to the West for permanent residence.

I was in Munich several months ago but could not visit you because of lack of time. I was able only to visit my old friend, Hauptman frn BUCKER, and then had to return to Offenbach because BAUMBACH was in a hurry."

5. Here AECAPLIN-1 allegedly broke into the monologue and asked about BECKER, stating the he did not know such a person. KRUEGER replied: "You don't know Hauptmann BECKER? He is supposed to be a mutual friend. (COMMENT: AECAPLIN-1 denies knowing any BECKER.) He was a friend of Pater Pavel (COMMENT: Abwehr nickname of Pavlo DMYTRENKO & Paul DEIBACH) and was with the Abwehrstelle in Warsaw. He is a lawyer by profession and was employed with a de-Basification court in Munich. He now intends to open a law practice in Munich with another friend (name not given). I thought that you knew him. He often met with DEIBACH."

6. KRUEGER then interrupted this topic and allegedly asked about Colonel SCHMALSCHLAGER, their old commandant. AECAPLIN-1 answered: I meet with SCHMALSCHLAGER very seldom. He telephones me sometimes when he is in Munich but this happens very seldom. He runs some sort of business in Bavaria and his time is absorbed in commercial deals of sorts. He always complains that his business does not go well and that it is very difficult to make money. I have not even asked him what kind of business he is engaged in. Perhaps it is an export-import business."

7. Then KRUEGER broke in and asked AECAPLIN-1 is getting along. AECAPLIN-1 replied that his professional returns for ordinary needs and that he manages to get along. In reply to KRUEGER's query, "And how do you like Bavaria?", AECAPLIN-1 stated that he had adjusted to his earlier dislike of the area.

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8. After a discussion concerning difficulties of living in East Germany and touching on the Hungarian situation, KRUEGER returned to the topic of Frau DEXBACH and stated that she now finds herself in difficult financial straits, that he would like to help her but could not at this time. He mentioned that he did help her during Summer 1956 when he invited her to Leipzig for a several-day vacation to see the Leipzig fair. When AECAPLIN-1 stated that he knew about her vacation in Leipzig because she had written to AECAPLIN-1 about it, KRUEGER allegedly gave a startled look as though to indicate that he did not know about the postcard DEXBACH sent to AECAPLIN-1. Noting KRUEGER's startled appearance and wondering if he committed a faux pas in mentioning the postcard, AECAPLIN-1 added: "I cannot recall if the postcard came from Leipzig or from Berlin. I only know that Frau DEXBACH either wrote that she was on her way to or that she had spent her vacation in Leipzig."

9. Concerning DEXBACH's belongings which AECAPLIN-1 has charge of, AECAPLIN-1 allegedly told KRUEGER that he wrote a letter to DEXBACH several days ago informing her that he would send the belongings as soon as possible. He had not sent the belongings up to now because he lost the address of the storage house where the trunks are located and that he would send the trunks together with the goods which AECAPLIN-1 has in his apartment.

10. Noting that KRUEGER was glancing at his watch and that KRUEGER was probably in a hurry to leave, AECAPLIN-1 asked when KRUEGER would return to Munich and in the same breath apologized for being unprepared to receive a guest properly. KRUEGER replied that undoubtedly he would not return to Munich till around May or June 1957. He added that he must return to Gotha to close out the year, take inventory, formulate new production plans, etc. He said that there will be another fair in Leipzig in March 1957 which will keep him somewhat busy.

11. Before leaving (around 0840 hours), KRUEGER asked AECAPLIN-1 to mention his visit when he wrote to Frau DEXBACH. He also asked that AECAPLIN-1 mention the discourse about her belongings and to send his greetings to her. KRUEGER closed by saying that undoubtedly AECAPLIN-1 would write to her before KRUEGER. Allegedly, BAUMBACH was waiting to take him to Offenbach.

12. AECAPLIN-1 feels that the anti-East regime convictions which KRUEGER tried to display to AECAPLIN-1 are false. He is convinced that KRUEGER's visit to him was for a reason other than to deliver Frau DEXBACH's message concerning her personal belongings. AECAPLIN-1 states that DEXBACH knows that AECAPLIN-1 will send her belongings in due time, that she needs no one to intercede for her in this matter and that KRUEGER used this as a pretext to re-establish contact with AECAPLIN-1.

13. AECAPLIN-1 believes it possible that Frau DEXBACH was recruited by an Eastern IS while she was in Leipzig during Summer 1956. He feels that she is not capable of fulfilling an important assignment but that she is being used as a witting or unwitting cutout for KRUEGER. He feels that she could be used likewise by KRUEGER as an entree to others known to Frau DEXBACH such as Colonel

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Heinz SCHMALSCHLAGER, Colonel Joachim OSTER (now with the War Ministry in Bonn), Dr. Josef MUELLER & "Lohsepp", Anni HASER and others, and that he could use a cover story similar to the one he used with AECAPLIN-1.

14. Leaving very little open to the possibility that KRUEGER's visit was not tainted with espionage, AECAPLIN-1 feels that KRUEGER has been trained very well by the RIS as a spotter and/or recruiter. AECAPLIN-1 allegedly has no idea why KRUEGER has approached AECAPLIN-1 at this time. He regards this to be the first of what may be a series of meetings before KRUEGER broaches the true reason for renewing contact with AECAPLIN-1. AECAPLIN-1 used the case of KAPUSTINSKY to illustrate his theory, to wit, KAPUSTINSKY met with Spiridon DOVHAL many times before he surfaced himself as an RIS agent who was sent to recruit DOVHAL.

15. AECAPLIN-1 noted that earlier Frau DEXBACH invited him to attend her daughter's confirmation in Berlin during Spring 1947. Since then she has mentioned in three letters to AECAPLIN-1 that he had not replied to her invitation. AECAPLIN-1 glowed when he thought it possible that perhaps the RIS was using the DEXBACH mail channel to lure AECAPLIN-1 to Berlin. And, because AECAPLIN-1 failed to reply to DEXBACH, the RIS became impatient and sent KRUEGER personally for the initial contact.

16. When AECAPLIN-1 was asked if his theory should prove to be true, would he want to pitch in and ostensibly accept KRUEGER's offer for whatever purpose it may have served, AECAPLIN-1 replied, "It goes without saying that I would like to. What a wonderful opportunity this would be to smoke out KRUEGER!"

17. This query spurred AECAPLIN-1 to make additional comments concerning past events which may be related to this case and which may strengthen his theory that KRUEGER may be priming AECAPLIN-1 for a recruitment pitch. Recalling that KRUEGER made a pointed reference to Colonel SCHMALSCHLAGER, AECAPLIN-1 stated that SCHMALSCHLAGER is the only former Abwehr functionary who currently has contact with AECAPLIN-1 in Germany. Paul DEXBACH (deceased) resumed contact with SCHMALSCHLAGER from the first day that he (SCHMALSCHLAGER) was released from the Muenberg (war crimes) prison in 1948. DEXBACH also knew that SCHMALSCHLAGER's nomination as chief of the BV (when it was activated in circa 1950) was refused by French authorities. Frau DEXBACH knew of SCHMALSCHLAGER's activities with 1st Warsaw during World War II, i.e., that his specialty was handling agents who procured material via the black market, etc; in fact, she knew SCHMALSCHLAGER before she married Paul DEXBACH. However, SCHMALSCHLAGER had a negative opinion of the DEXBACHs. SCHMALSCHLAGER knew Paul DEXBACH to have a poor character and that he was an opportunist but SCHMALSCHLAGER held onto him because of his sole talent for procurement. SCHMALSCHLAGER allegedly mentioned to AECAPLIN-1 that he wanted to rid himself of Frau DEXBACH who was pestering him for assistance (SCHMALSCHLAGER allegedly did not ask AECAPLIN-1 to help him in this affair.) AECAPLIN-1 stated that

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he has not yet figured out how all of this may enter into the case but he feels confident that the answer will reveal itself during a later visit by KRUEGER.

18. AECAPLIN-1 feels strongly that the following points should be investigated and determined:

A. Further information concerning Frau BAUMBACH, his factory, and if his contact with the British, Canadian and American armies is only for reasons of commerce.

B. True nature of KRUEGER's interest in BAUMBACH and the latter's commercial enterprise.

C. Did BAUMBACH truly flee from the East Zone of Germany or was he dispatched by the KIS?

D. Frau DEXBACH's role in this matter.

E. KRUEGER's aim as concerns AECAPLIN-1: Is it that he merely wants information from AECAPLIN-1 concerning people such as SCHWALSCH-LABORN, or does AECAPLIN-1 figure in a more vital role?

19. According to KRUEGER, BAUMBACH is about 50 years old and unmarried. He allegedly gave AECAPLIN-1 no further information.

20. AECAPLIN-1 passed a copy of the German language letter which, as he states above, he sent to Frau DEXBACH on 12 December 1956. A copy of this letter will be forwarded under separate dispatch. IS ATTACHED.

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Attachment B to EGMA-24735

München, den 12. Dezember 1956.

Sehr geehrte und liebe Frau Dexbach!

Liebe Monika!

Sie sind bestimmt schon auf mich böse, denn seit September dieses Jahres habe ich von mir kein Lebenszeichen gegeben. Aber Sie wissen genau, liebe Frau Dexbach, wie es zu Hause geht, wenn man allein ist und dazu noch berufstätig ist. Immer zu wenig Zeit für die notwendigsten Sachen.

Wir, d.h. Wlodko und ich persönlich danke herzlichst Monika für ihre Geschenke, welche sie uns seiner Zeit zugeschickt hat.

Leider, liebe Frau Dexbach, war es weder mir noch dem Wlodko möglich, die uns zugeschickte Dollar umzuwechseln. Denn seit einiger Monaten, oder schon seit einem Jahr, nur die Militär-angehöriger erhalten dieses Geld und sie haben das Recht, für dieses Geld in PX einzukaufen. Die Zivilangestellten, bekommen keine Militärdollars und haben auch kein Recht, dieses Geld umzutauschen. Ich bat den Leiter des Weltkirchenrates, mir dabei behilflich zu sein, aber leider auch er konnte mir nicht helfen. Deshalb schicke ich die Scheine zurück. Vielleicht wird es Ihnen doch möglich sein, in Berlin sie umzutauschen.

Um Ihnen auf andere Weise behilflich zu sein, habe ich vor einigen Tagen ein CARE -Palett und 100 DM an Sie geschickt. Ich denke Sie werden bald diese Sache erhalten.

Ein kleines Andenken für Monika haben wir mit Wlodko heute als "Päckchen" (Einschreiben) weggeschickt. Wir hoffen, Monika bis Weihnachten ihn erhalten wird.

Ich würde schon länger ihre Sachen nach Berlin schicken, aber konnte dies nicht machen aus folgendem Grund. Sie haben mich gebeten, gleichzeitig ihre Koffer aus Freising zu holen und gemeinsam nach Berlin zu befördern. Leider habe ich die Adresse diesen Herren in Freising verloren und ich weiß nicht mehr, wie er heißt und wann er zu erreichen ist. Bitte schreiben Sie mir noch einmal seine Adresse. Für die Sachen, die bei mir sind, habe ich eine Holzkiste besorgt und schön zusammengepackt, mit Ausnahme von Teppich, denn wird als Extra

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paket zusammen mit dem Koffer Ihnen zugeschickt. Was ist in dem EARE -Paket weiss ich nicht. Hoffentlich werden solche Lebensmittel, die sie gebrauchen können.

Die 100 DM. bitte als Anzahlung an die Bildern und ein Huzulenteppich, die bei mir bleiben anzurechnen. Im Januar werde ich auch an Sie danken.

Hersliche Grüsse von mir und von Wlodko für Sie, Ihre liebe Frau Mama und für Monika und Herrn Bruder.

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per GSN 43-43

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